EDMONTON

living

THE VISION

1999

ANNUAL REPORT

THE CITY OF EDMONTON, ALBERTA, CANADA

THE CITY OF Edmonton

Mission

The City of Edmonton focuses on:

- The delivery of effective, efficient and citizen-oriented services;
- Sound leadership and teamwork; and
- Responsible use of resources (financial, people and assets).

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The City of Edmonton
in cooperation with all
civic departments,
offices and agencies.

THE CITY OF EDMONTON, ALBERTA, CANADA

Edmonton at a Glance

As a city, Edmonton is one of the jewels of North America. It's a place where families thrive, businesses grow, and recreation activities abound. It's an international high-technology location where multiculturalism and the arts flourish. It's a city of almost continuous festival celebration, many post-secondary education opportunities, and a proud history of sports involvement and championships.

Edmonton is Canada's fifth-largest city, with a population of 648,284 within its borders, and a metro population of 907,000. The business environment is healthy and innovative.

SUPERIOR PLACE TO DO BUSINESS

The Conference Board of Canada has named Edmonton as the top Canadian city for business growth. The Board also recognizes it as the most economically diverse city in Canada. A Spring 1999 study by KPMG LLP pointed to Edmonton as the best city for business in North America, based on typical operating costs for medium-sized businesses.

Commercial leasing rates and taxes are the lowest of Canada's major cities. Utility rates and other costs of living are among the lowest in Canada. Industry Week Magazine singled out Edmonton in April 1999 as having the best worker productivity of any city in Canada.

Edmonton still enjoys the position of being located in the only Canadian province without a provincial sales tax. We also have excellent debt management programs at both the civic and provincial level. Edmonton's City Council is committed to wise long-term financial management, while continuing to provide high quality services to its citizens.

Edmonton's business environment is vibrant, with 22,500 businesses employing half a million people. All three levels of government are significant employers in Edmonton, as is the military. Edmonton's role as a service centre for the oil industry in Northern Alberta is active and growing. Edmonton businesses and manufacturers also support agriculture and forestry. Retail/wholesale trade, construction, manufacturing and tourism are important contributors to our economy.

Edmonton is a centre for development of powerful new high-technology business. Our city is home to over 900 businesses in emerging industries such as aerospace, biotechnology, computer software, electronics and telecommunications. Several companies have decided to locate their international call centres here. Biomedical centres in Edmonton are doing leading-edge work such as facial reconstruction.

Edmonton has a visionary plan to increase the percentage of knowledge-based industries from seven to 25. It's called Model 7/25 and the expected year for attainment of this goal is 2010. With our highly educated and skilled workforce, the goal is easily within our reach.

As the Chief Financial Officer, I am pleased to forward to you The City of Edmonton Annual Report for the year ended December 31, 1999. The report presents some of the highlights along with our financial results for the year. It also provides information regarding our budget and expectations for the current 1999 year.

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The City of Edmonton Corporate Services Department
Finance Branch
4th Floor Chancery Hall
3 Sir Winston Churchill Square
Edmonton, Alberta, Canada T5J 2C3

Thank you for your continued interest in the City of Edmonton.

Randell W. Garvey, CMA
Chief Financial Officer

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ONLY IN EDMONTON

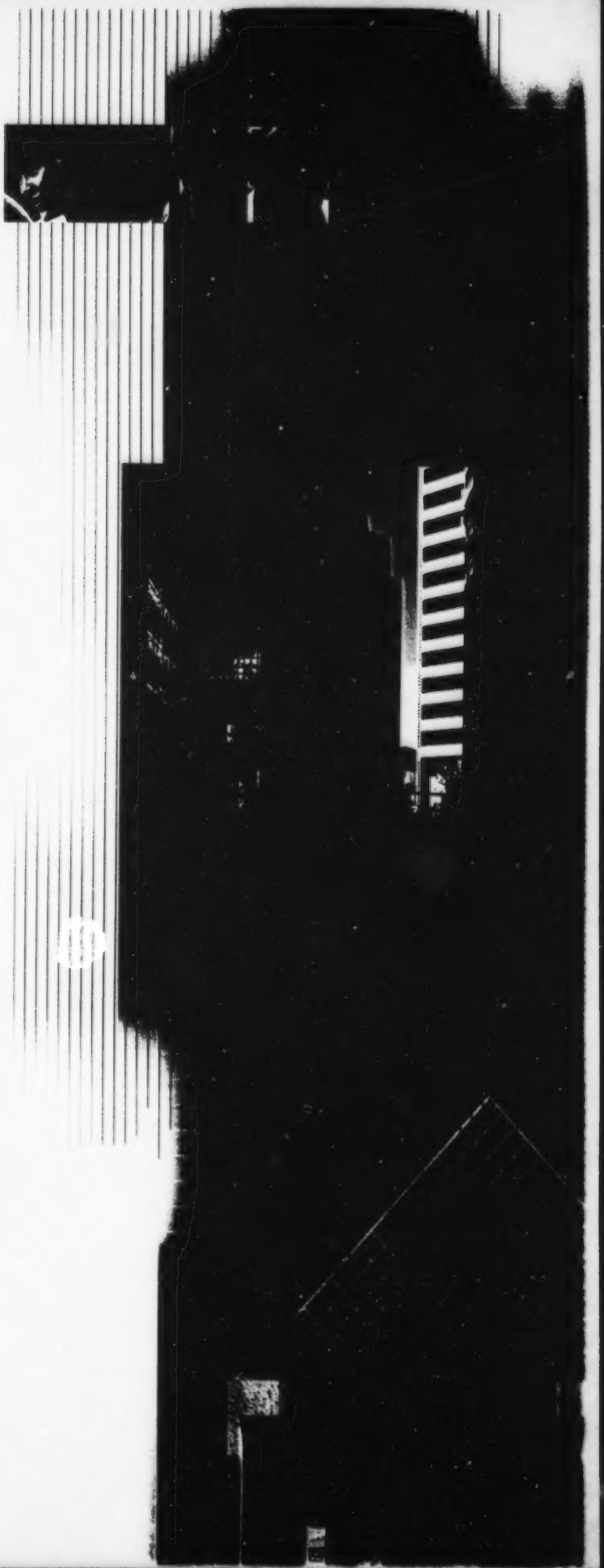
The quality of life in Edmonton is superb. Edmontonians know that – and so do four million tourists per year. It's a beautiful place – Edmonton is proud to be recognized in the 1999 Communities in Bloom for communities of over 300,000. The heart of the city is experiencing a renewal with assistance from the Capital City Downtown Plan. The plan calls for more downtown residential units, better access to the downtown, a public art program and a thriving Arts District.

Edmonton ranks as one of the most affordable major cities in the world. Our real estate market is of exceptional value: the Conference Board expects Edmonton to have some of the best retail sales in Canada. The Canadian Mortgage and Housing Corporation estimates $132,900 as the average price for a new house. Newcomers are delighted with the affordable housing and the fact that they don't need to travel to a remote suburb to find it. Edmonton has the lowest realty taxes of any Canadian city.

Another of Edmonton's special attributes is its low population density. With 920 people per square kilometer, it checks in as Canada's most spacious city.

Our world-class University of Alberta provides an impressive array of scholarly pursuits and professional training. Maclean's Magazine named it one of the best overall universities in the country.

Cultural and recreational opportunities help us to enjoy our city to the maximum. The possibilities for enrichment are unlimited. Take a cycling trip along the endless river valley pathways. Analyze a crime scene at the Edmonton Space and Science Centre. Enjoy exotic orchids at the Muttart Conservatory.



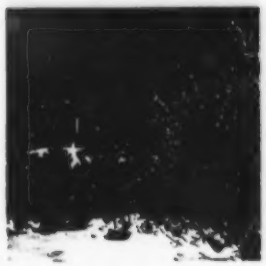
Edmonton is one of Canada's most vibrant theatre centres, with more professional theatres per capita than any other Canadian city. The new $40-million Winspear Centre for Music is one of the world's finest concert halls. It represents an anchor in the ever-expanding downtown Arts District. Edmonton is proud of its status as festival capital of the world, playing host to more than 30 annual events. The festivals cater to all tastes in music, visual arts, and recreation. The International Fringe Festival is the oldest and largest theatre festival in North America, and attracts performers and audiences from all over the world.

Edmonton is proud to be the home of, the National Hockey League Edmonton Oilers, the Edmonton Eskimos Canadian Football League team, the Tripie A Edmonton Trappers baseball team, and the Edmonton Drillers soccer team. Edmonton has hosted a string of major competitive sports events, and is looking forward to hosting the 8th World Championships in Athletics, the third largest sporting event in the world, in 2001.

LIVING IN EDMONTON

Edmontonians – both the newcomers and the native-born residents – know that we are very privileged to live, work and play in this favoured city. Its benefits encompass the best of Canada's economic, cultural and natural resources.

We have all adopted a vision of Edmonton as a superior location with a quality of life unmatched anywhere. We are living this vision right now and we see an even brighter future for our city.



FACTS

POPULATION:
Edmonton: 648,284
Metropolitan area: 907,000

LAND AREA:
Edmonton: 700 square kilometers (270 square miles)
Metropolitan area: 9537 square kilometers (3681 square miles)

CULTURE:

- World-class Winspear Centre for Music, home to the Edmonton Symphony Orchestra; chamber music groups
- Citadel Theatre and a wide range of smaller theatre companies
- Edmonton Art Gallery and numerous smaller galleries
- Edmonton Opera and smaller ensembles and choirs
- Alberta College Conservatory of Music
- Alberta Ballet Company; various jazz, modern, ethnic, and other dance companies
- Year-round spectrum of festivals

KEY BUSINESS ACTIVITIES:

- Services and manufacturing for the oil, gas and oil sands industries
- Services for the forestry, agriculture and mining industries
- Retail/wholesale trade
- Health and social services
- Education, including post-secondary
- Construction
- Government
- High technology

LINKS:

- Excellent highways, both east-west and north-south
- Rail, both freight and passenger
- Pipelines
- Edmonton International Airport

POST-SECONDARY EDUCATION:

- University of Alberta
- Grant MacEwan College
- Alberta College
- Northern Alberta Institute of Technology (NAIT)
- Concordia University College
- NorQuest College
- King's University College

ATTRACTIONS:

- West Edmonton Mall
- Banff and Jasper National Parks within a half-day's drive
- Edmonton Space & Sciences Centre
- Fort Edmonton Park
- 25-kilometre "ribbon of green" in the river valley that offers hiking/skiing trails, ice skating, and other facilities

+4

City Council's Vision for Edmonton

In 1996, Edmonton City Council established a vision for the City of Edmonton. The vision portrayed Edmonton as:

- A culturally diverse city where people choose to live, learn, work and play;
- An international smart city with a vibrant economy;
- A capital city where businesses want to locate and expand;
- A welcoming city where citizens take pride in their community and in their contribution to its quality of life.

The vision set a direction for the Administration to follow in terms of planning, with an emphasis on goal setting. Its power and longevity are expressed in two of the City's most important strategic documents, Plan Edmonton – Edmonton's Municipal Development Plan – and the ten-year Long Range Financial Plan.

A number of significant initiatives in support of the vision occurred in 1999.

- An extensive review of the city-owned power and water utility company, EPCOR, was completed by Council. The review determined that the City's largest investment operated efficiently and effectively and that the City of Edmonton should remain the sole shareholder.

- The Long Range Financial Plan was approved by Council on June 21, 1999. The plan followed Council's direction by setting out the City's financial course for the next three years through:
  - ▲ Modest annual increases in property and business tax rate strategy;
  - ▲ Increased fee revenue and strategies to build a more diversified revenue mix; and
  - ▲ A capital financing strategy.

- Council approved the Transportation Master Plan (2000 – 2020) on April 14, 1999. The plan outlines the City of Edmonton's approach to the "movement of people and goods," which is defined as a strategic priority in Plan Edmonton.

In the coming year, Council will look at two important issues that will leave a lasting legacy of its work during this term.

CITY COUNCIL

The City of Edmonton

From left to right: Terry Cavanagh, Brian Mason, Robert Noce, Jim Taylor, Rose Rosenberger, Bryan Anderson, Mayor [illegible], Leroy Chahley, Wendy Kinsella, Larry Langley, Michael Phair, Dave Thiele, Allan Bolstad

- Edmonton region review. The Province has initiated a formal review of how municipalities in the Edmonton region work together. While the outcome of this review is uncertain, the review process has revealed a number of opportunities to find efficiencies in the Edmonton region for taxpayers.

- Refinements to the City's business planning and budgeting process. In supporting business in Edmonton, it is imperative that the City be as efficient as possible in its own internal processes – business planning, budgeting and performance measurement. Council has requested a review of these key business functions to ensure they are conducted as effectively as possible.

The City of Edmonton is "living the vision." It's thriving culturally, economically and socially. Council realizes it will take as much work to maintain the vision as it did to formulate it and are prepared in 2000 to take on these challenges.

Political and Administrative Structure

The City is governed by a Council made up of 13 elected officials – one Mayor and 12 Councillors. All voters elect the Mayor, and voters in each of six wards have the opportunity to elect two Councillors to represent them. Elections are held every three years; the next election will be on October 15, 2001.

City Council's authority is set out in the Municipal Government Act, an Alberta statute. This act, brought into effect on January 1, 1995, gives the City three responsibilities:

- To provide good government,
- To provide services, facilities, or other things that, in the opinion of Council, are necessary or desirable for the municipality, and
- To develop and maintain safe and viable communities.

City Council usually meets three times a month. These meetings are open to the public. The two regular Council meetings are on the first and third Tuesdays of the month. One meeting each month is dedicated to public hearings, as required by provincial statute. These meetings usually take place on a Monday.

STANDING COMMITTEES

Edmonton City Council has three main standing committees to make decisions and recommendations to Council. These committees are the Community Services Committee, the Transportation and Public Works Committee, and the Executive Committee.

Most decisions made by committees are final. On some issues, committees make recommendations for City Council to consider. Council may approve, amend, or defeat the recommendations of a committee, or make and approve different recommendations altogether.

Some subjects discussed by Council and its committees are:

- policies and procedures to guide actions of city departments
- bylaws which affect various aspects of life in the city budgets of city departments
- major projects to be undertaken by city departments.

The Executive Committee is made up of the Mayor and four Councillors. This committee deals with matters affecting the City as a whole. It also considers topics involving planning and development, administration, finance and personnel.

The Community Services Committee is composed of four Councillors and reviews matters affecting parks, recreation, fire, emergency medical services, policing, and preventive services.

The Transportation and Public Works Committee is composed of four Councillors and deals with matters affecting public transportation, the roadway system, waste water treatment, storm drainage, and waste disposal.

There are other committees that deal with specific issues as they arise; for example, the Budget Committee works on budget issues, and meets regularly in the last four months of the year to approve the overall City budget.

Organization Chart

THE CITY MANAGER

City Council appoints the City Manager to the position of Chief Administrative Officer. This individual is responsible for implementing City Council's policies and managing the City's day-to-day operations.

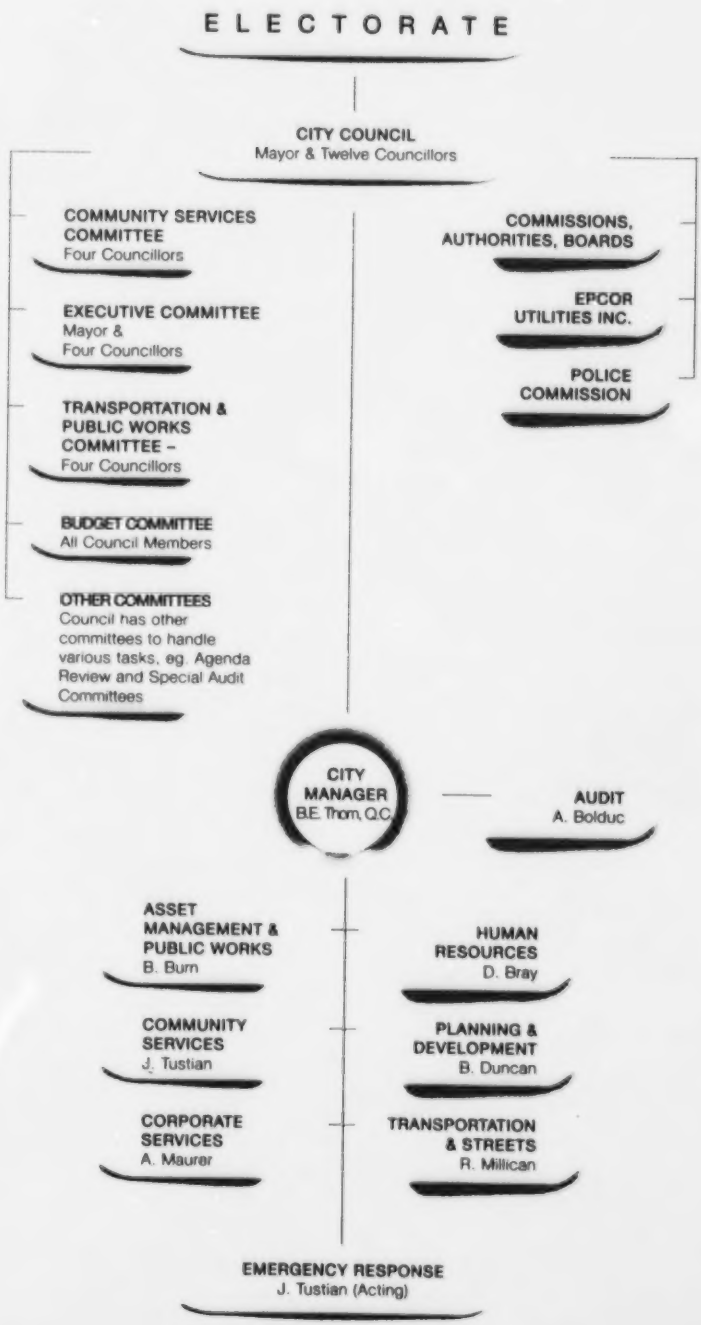
EPCOR UTILITIES INC. (EPCOR) BOARD OF DIRECTORS

The City holds EPCOR's only share and City Council is responsible for appointing EPCOR's Board of Directors and Chairman.

SCHOOL BOARDS

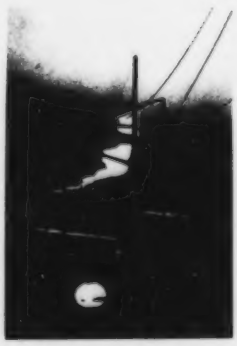
Two school boards operate within Edmonton's municipal boundaries: Edmonton Public Schools and Edmonton Catholic Schools. Voters elect board members for the school system of their choice every three years, concurrent with municipal elections.

Funding for the two school systems comes mainly through a combination of provincial government operating grants and property taxes levied on Edmonton business and residential property owners. The municipality collects education property taxes on behalf of the province and Edmonton Catholic Schools for distribution to the school boards.



The City of Edmonton provides the following major services: storm and sanitary sewage systems, waste management, roads, public transit, fire and police protection, emergency medical services, planning, parks and recreation, and preventive social services. In addition, EPCOR Utilities Inc., a wholly owned subsidiary corporation, provides both electric power generation and distribution, and water treatment and distribution services to Edmonton residents.

EPCOR



1999 was a watershed year for EPCOR, its customers, staff and shareholder - the City of Edmonton. EPCOR delivered on its financial commitments to the shareholder and paid $70.5 million in dividends. Additionally, business tax, property tax, franchise fees and revenue taxes paid to the City of Edmonton totaled $38.5 million.

In the past year EPCOR has realigned operations and consolidated the former brands of Edmonton Power, Aqualta and Eltec under a single, new master brand, EPCOR, emphasizing its ongoing dedication to provide customers with safe, high-quality and reliable essential services at competitive prices. This change allowed EPCOR to capture synergies and reduce the advertising costs associated with multiple brands. It also set the stage for entry into new markets with a strong brand identity not linked to a specific geographical area.

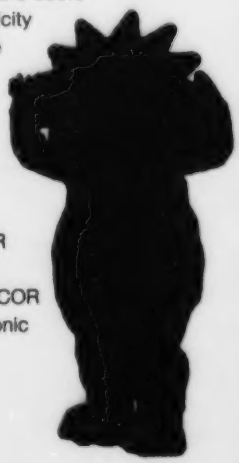
EPCOR also held the line on rates. There have been no residential price increases for electricity in the last six years and the majority of commercial and industrial customers actually experienced decreases in their electricity costs. There have been no increases in water rates for all customers since 1994.

Several successes were achieved as EPCOR pursued its long range plan for growth. EPCOR's electricity and water product offerings were augmented with natural gas, EPCOR Water Services landed a long-term contract in Port Hardy, BC and EPCOR Technologies continued to expand beyond Alberta concentrating on the Ontario market.

EPCOR employees continued to demonstrate their entrepreneurial drive and commitment to customers. This year's achievements include winning a national award for safety and exceeding all external environmental and regulatory requirements as well as EPCOR's own, even more stringent environmental benchmarks. EPCOR is now the first utility company in Canada to have all of its generating plants ISO 14001 certified. The ISO 14001 designation denotes the highest international level of environmental compliance in operating procedures.

EPCOR ended 1999 on a strong note with the appointment of a new Chairman of the Board, Hugh J. Bolton, FCA, a respected senior business executive and board member who recently stepped down as Chairman and Chief Executive Partner of PricewaterhouseCoopers.

Looking to the future, EPCOR will continue to be an active participant in Alberta's regulatory restructuring process as a strong advocate of deregulation and the opportunities that competition will bring. By the time the doors open to competition for retail electricity on January 1, 2001, EPCOR will be hitting its stride as a leading provider of essential elements for living to both residential and business customers in the Capital Region and throughout Alberta.



Additional information about EPCOR can be found on their web site, www.epcor-group.com or in the EPCOR Annual Report (print copy or electronic format on the EPCOR web site).

City Manager's Message

City Council's vision calls for a well-managed organization with clear plans and common objectives. Council has endorsed Plan Edmonton and the Long Range Financial Plan as our key strategic documents and has challenged us to bring the recommendations in these documents to life. Our employees have responded by preparing a Corporate Business Plan to outline the "how to" of implementing Council's vision.

The Corporate Business Plan is a critical element in a new business management process - a continuous cycle of plan, implement, measure and improve. The Business Plan improves on the old practice of year-to-year budgeting by taking a long-term, strategic approach to municipal operations. It encourages employees to look outside the traditional confines of their departments and to learn from and improve upon corporate or interdepartmental initiatives.

We have many new internal processes growing from our Corporate Business Plan; examples include the Human Resource Information System (which captures and processes payroll information electronically) and the Executive Information System (EIS). The EIS collects financial and strategic information in one place and allows managers to see at-a-glance an accurate picture of where and how money is being spent in their branch or department.

Our implementation of the shared services concept is another success story. It brings together functions (Human Resources, Finance, Information Technology, Law and Communications) that were previously duplicated in each department. In addition to saving $8 million annually, the concept challenges us to deliver internal services as efficiently and as businesslike as possible. A recent independent review confirmed we were doing just that.

The City's new Working Relationship Agreement between unions, the non-union association and management is an example of an initiative with broad corporate impact. The parties to the agreement received training in interest-based bargaining and agreed to use this in negotiating collective agreements. The result is an enhanced relationship and efficiently negotiated collective agreements. Union and management representatives in one City department settled 90 outstanding grievances in a six-week period, representing cost savings of $6 million in arbitration costs.

But just having plans in place is not enough to achieve a vision – you need a skilled and dedicated workforce to bring any vision to reality. As a team, we are developing a proactive approach to the identification of issues and opportunities, and we are managing them effectively. The process of corporate renewal that began in 1997 is showing solid results, and will continue to bring positive changes to the City of Edmonton.

By building on our successes, we will continue our work to make Edmonton the best it can be.

Bruce E. Thom, Q.C.
City Manager
March 27, 2000

Successes and Achievements

- The City of Edmonton developed the Corporate Business Plan, a strategic document outlining the City's goals and planned initiatives for the period 2000 – 2002. The Corporate Business Plan improves on the practice of preparing year-to-year budgets by requiring the City to plan three years into the future at any given time. This enables the City to effectively identify any needed changes in corporate direction and strategy. City Council approved the plan in June.

- Edmonton completed its transition to Market Value Assessment (MVA), a more equitable method of assessing property for taxation. The City's Market Value Assessment (MVA) Information Centre handled citizen inquiries in response to this change in assessment methods. Independent reviews revealed a high level of customer satisfaction both with the introduction of MVA and with the service provided by the Information Centre.

- Plan Edmonton, which guides Edmonton's growth and development into the 21st century, received the 1999 Award of Excellence from the Alberta Association of the Canadian Institute of Planners (AACIP). This is the highest award that the AACIP gives.

- Other awards that the City received in 1999 are:
  - ▲ International City/County Management Association (ICMA): Mark Keane Award of Excellence, presented to City Manager Bruce Thom, Q.C. for his work as an outstanding local government administrator
  - ▲ Consulting Engineers of Alberta: Environmental Award of Excellence for the Fulton Creek Regional Wetlands Project of Asset Management and Public Works
  - ▲ Consulting Engineers of Alberta: Infrastructure Award of Merit to Asset Management and Public Works for the Gold Bar Wastewater Treatment Plant
    Alberta Recycling Council: Best Municipal Program, for the Master Composter/ Recycler program
  - ▲ Alberta Library Conference: Creative Public Library Service Award, for Smart Search, a business information service
  - ▲ Canadian Association of Municipal Administrators (CAMA):
    - Honourable Mention in the Willis Award for Innovation category for the Working Relationship Agreement
    - Honourable Mention in the Environment category for the City's Dutch Elm Disease Prevention Program
    - Honourable Mention in the Education category for the City's Physical Sewer Model.

- The Citizen Satisfaction Survey in February rated quality of life in Edmonton positively (93 per cent say it is excellent, very good or good). Edmontonians reported satisfaction with City services (80 per cent very or somewhat satisfied). The most frequently stated reasons for contentment were City of Edmonton parks and green spaces (including the river valley system), good employment opportunities and the hospitable/friendly atmosphere.

- Governor-General Adrienne Clarkson's first public event of her tenure was an official visit to Edmonton in October. To welcome her, there was a public ceremony in City Hall.

- Wayne Gretzky's contributions to the City of Champions were recognized by the renaming of Capilano Drive to Wayne Gretzky Drive. Mr. Gretzky was the guest of honour at the official naming ceremony, and citizens had a chance to personally sign a "Thanks for the Memories" book for him.

- In April, the City conducted *Census '99*, which provides the City with information needed for planning and per capita grant purposes. The City trained and employed 700 *Census '99* workers to canvas residential areas and gather information.

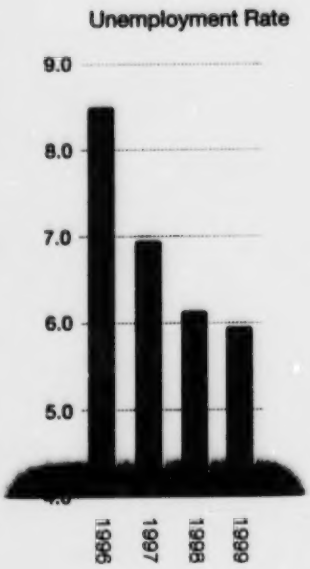
- In April, the Waste Management Branch officially launched the Blue Bag recycling program. The bags collect more kinds of material, are tidier to use than blue boxes, and are more convenient because residents no longer have to sort recyclable materials. Edmontonians showed the same high participation rate for the Blue Bag program as they have always shown for the Blue Box program.

- The Materials Recovery Facility (MRF) at the Edmonton Waste Management Centre officially opened on April 1. On June 4 and 5, members of the public took part in MRF open houses and tours. The MRF has the capacity to sort all the recyclable material collected in the Blue Bags, and is the most advanced processing plant of its kind in North America.

- The City's Millenium Celebrations Office coordinated community millennium workshops throughout the year. Edmonton received more funding from the federal government's Canada Millennium Partnership Program for millennium projects than any other city in the country, because of the City's support to community applications. Through the efforts of the City's Millennium office, Edmonton community groups received nearly $3.7 million dollars in funding. The planning for funding and construction of the City's own millennium legacy project, Louise McKinney Park, continued. The park will officially open on Canada Day 2000.

- Sports-related events in 1999 included the opening of the indoor Edmonton Soccer Centre East on November 20, and the dedication of a sports park to local football legend Johnny Bright. Edmonton staged the 1999 Labatt Brier (the Canadian Men's Curling Championship), the fourth time it has hosted this event. A record 242,887 people attended, injecting several million dollars into Edmonton's economy.

Economic Climate



The Edmonton economy continued to grow in 1999. The unemployment rate dropped to 5.9 percent from 6.2, the lowest it has been in two decades. The average number of people employed in Edmonton rose to 495,400 (a gain of 13,300 over 1998). The size of the labour force showed a 1.3 percent increase and now stands at 520,700.

There was a net growth of 1,508 businesses in 1999. Investment in downtown development projects is expected to reach a total of $373 million. The office vacancy rate was 12.9 percent.

Edmonton experienced a record 3,932 housing starts in 1999, a 10 percent growth from the previous year. Housing sales remained high at 13,594. Average residential selling price rose to $118,871 (compared to $114,536 in 1998). The City issued $657,534,500 in building permits.

Optimistic Economic Outlook

Edmonton will lead the rest of the country in economic growth rate in 2000, according to the Conference Board of Canada. Of all the Canadian urban areas, Edmonton will show the biggest gain. Gross Domestic Product (GDP) will grow by 4.1 percent.

The robust health of the construction industry will continue to lead Edmonton's rapid economic growth. The City of Edmonton Forecast Committee predicts that the economic growth rate in Edmonton will increase to 3.7 percent in 2000.

Retail sales have been increasing faster in Edmonton than in other Canadian cities. Retail analysts predict this rate of growth will continue for the next few years. Employment figures are projected to grow by 3.3 percent, putting Edmonton first in the country in 2000.

Challenges for the Future

- Edmonton's citizens and businesspeople will enter the new millennium with a confident economic outlook – an accurate assessment, given the forecasts of the Conference Board of Canada. The Board predicts that Edmonton will rank as Number One in economic growth in Canada in 2000.

- Over the next three years, the Office of the City Manager will focus on fostering regional coordination and cooperation, in the context of the Province's Alberta Capital Region Governance Review.

- The City will continue to look at options for delivery of services such as shared services, privatization and partnerships. We will evaluate the effectiveness of the already-implemented alternatives, and plan for continued cost savings.

- Customer services will continue to be a high priority. We will develop customer service standards and explore alternatives such as selling licenses through Alberta Registry agent offices.

- By the end of 2000, our corporate image and identity updating will be complete, and will continue to gain acceptance and approval by Edmonton employees and citizens. This initiative saves money by standardizing the format of our publications and streamlining the printing process.

- The City will prepare for hosting high-profile international events, including the 2000 Communities in Bloom conference and the 8th World Championships in Athletics in 2001.

- World Cup swimming events will be in Edmonton in both 2000 and 2001. Edmonton is gaining international status as a host for triathlon sports, and will continue in that vein by hosting the Pan American Triathlon Championship in 2000 and the ITU Triathlon World Championship in 2001 (International Triathlon Union).

- The first phase of the City's new user-friendly website will be up and running in early 2000. The second phase, Inside-Net, will allow for more timely internal information-sharing. Later, the third phase will allow the potential for e-commerce and payments over the Internet.

- Waste Management's co-composter, which will recycle the 50 percent of household waste that is organic, will open at the Edmonton Waste Management Centre. The Composting Council of Canada chose Edmonton as its host for its national conference in September 2000, a decision prompted by Edmonton's longstanding commitment to composting and recycling.

- Downtown will continue to see refinements, making it more of a "people" place. It will become more pedestrian-friendly with renovations such as the removal of the 109 Street "Rathole." The City's Millennium Legacy Project, Louise McKinney Park, will officially open on Canada Day 2000. As its development continues, the park will become a central feature of our River Valley Parks System.

Financial Management and Control

BUDGET PROCESS

In 1999, The City of Edmonton Corporate Business Plan was approved by City Council, setting out goals, key strategies, and specific corporate-wide initiatives for implementation during the period 2000-2002. The Long-Range Financial Plan was updated and approved by City Council for the 2000-2009 period. In addition, three-year departmental business plans were prepared in conjunction with the preparation of the 2000 budget. These planning initiatives enabled the operating and capital budgets to be prepared based on a multi-year business planning perspective.

Edmonton's operating budget lays out the revenues and expenditures planned for the following year. For the 2000 Budget, a more refined program based budgeting approach was implemented to provide a greater focus on service delivery programs. Further refinements to this approach will be implemented in the future.

Edmonton's capital budget is a five-year plan identifying proposed capital project expenditures and their sources of financing. Proposed capital projects are assigned priorities based on a detailed set of criteria approved by Council. Those projects that can be built within the Corporation's financial resources, are recommended. Projects with a lower priority are deferred, and may be considered in future budgets.

City Council values public consultation very highly during the development and review of the annual budgets. Public input is provided prior to the development of the budget, through a citizen satisfaction survey, focus group sessions, and stakeholder group submissions. City Council also holds a public forum on the recommended budget. City Council usually approves the operating and capital budgets in December for the subsequent year.

ACCOUNTING PROCESS

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. In 1997, the City introduced a shared services model for its finance and accounting services. Under this model all business areas share a common accounting and reporting system, and financial and accounting services are administered under the direction of the Chief Financial Officer and delivered to each business area based on their need.

AUDITING PROCESS

The Municipal Government Act requires municipal councils to appoint an auditor. In 1999, Edmonton City Council appointed the firm of KPMG LLP, Chartered Accountants, as external auditor for a five-year term. The auditor must report to City Council on the annual consolidated financial statements and the financial information return of the municipality. The Act requires municipal financial statements to be prepared in accordance with the generally accepted accounting principles for local governments, as recommended by the Canadian Institute of Chartered Accountants.

The City also has an Auditor General, who reports to the City Manager. The Auditor General's Office is responsible to provide an objective and constructive assessment of

whether the City Administration is fulfilling its mandate in an efficient, effective and economical manner and in accordance with City Council's directives and policies.

FINANCIAL POLICIES

A number of significant financial policies, adopted by City Council, provide the direction for making operating and capital decisions.

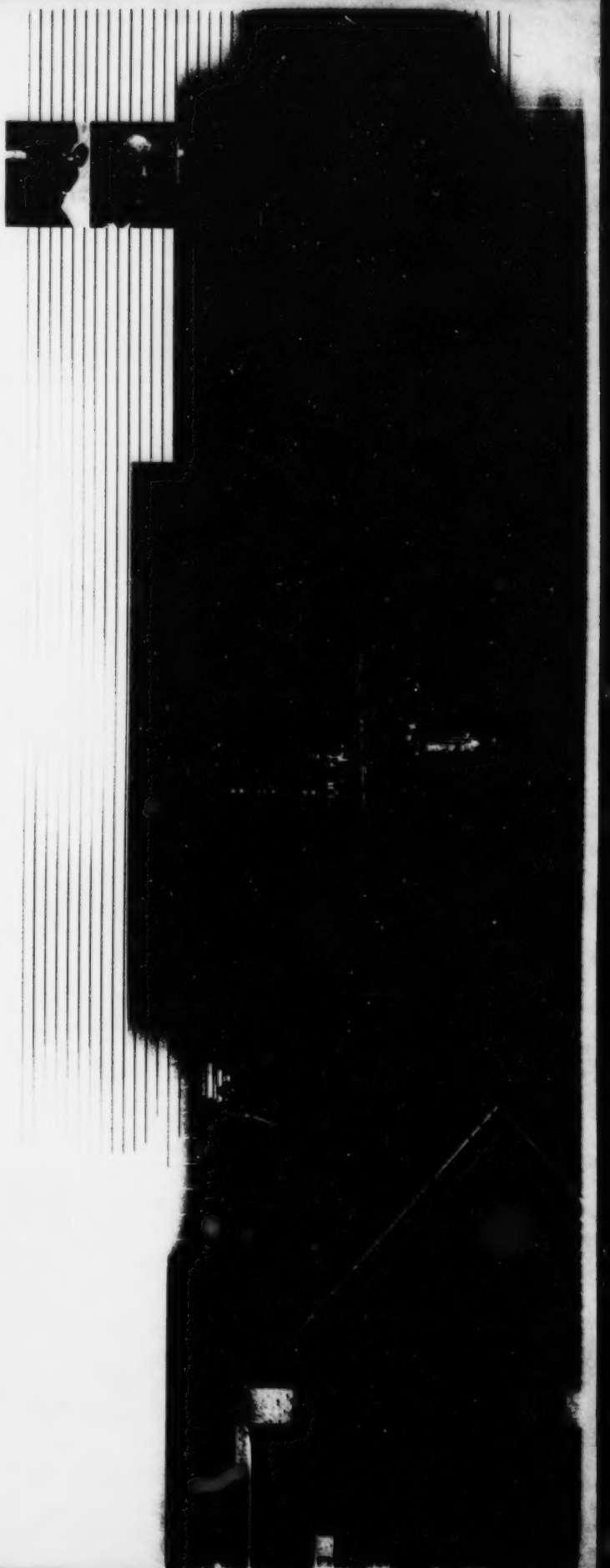
Property Tax Policy

In 1998, City Council adopted the recommendations of the Edmonton Property Tax Committee in formally establishing a policy on property tax. Under this policy, 57% of the municipal property tax levy will be raised from residential taxpayers and 43% from non-residential taxpayers through the 1999 taxation year. Commencing in the year 2000, the municipal property tax structure will be such that; rental properties will be taxed at a rate approximately 20% higher than single family residential properties; residential taxpayers will be levied no more than 59% and no less than 54% of the total tax levy and; the mill rate differential between non-residential and residential municipal property taxpayers must be no more than 2.2 to 1 and no less than 1.5 to 1.

Debt Management Policy

In 1983, City Council adopted a plan to eliminate the City's general (non-utility) debt. This strategic financial plan requires that general municipal capital expenditures be financed 100% by operating revenue and other funding sources such as grants.

Under the plan no additional general debt has been issued for capital expenditures since 1990, and pay-as-you-go financing has grown from $7 million (in 1983) to $70.0 million in 1999, and is expected to reach approximately $100 million on the retirement of all general debt at the end of 2004.



Utility Fiscal Policies

City Council's utility fiscal policies govern the financial relationship between the City's General Fund and each of the municipally owned or operated utilities. These policies require each utility to charge sufficient rates to recover all operating costs, repay capital debt, and earn a return, or profit, on the City's equity investment. The policies also require each utility to pay the City a franchise fee on utility revenue and to pay the City a portion of annual utility profits (except for the sewer utility) as a dividend. The dividend policy for EPCOR, the wholly owned electrical and water company, is established based on a percentage of budgeted earnings.

Investment Policy

City Council approved an investment policy to ensure that funds that would otherwise remain idle in the bank are put to their best use through investments. These investments are made for the benefit of the citizens of Edmonton or, where they are pension or trust funds, for the benefit of designated beneficiaries.

The Investment Policy establishes objectives to preserve the original principal and to maximize investment returns within an acceptable level of risk. All investments must comply with the City of Edmonton's Investment Policy and the Municipal Government Act of Alberta.

The Investment Committee, appointed by the Chief Financial Officer, has responsibility for the prudent investment of the funds under its control. The Investment Committee oversees the activities of all investment managers, monitors their performance in relation to their established benchmarks, and reports to City Council at least once a year.

Financial Stabilization Reserve Policy

In 1997, City Council approved the Financial Stabilization Reserve Policy. The purpose of the policy is to establish a financial stabilization reserve to protect the City against unforeseen operating costs, to maintain stable taxes and other revenue sources, and to ensure the orderly provision of services to residents. The policy provides for one half of annual general government operating surpluses to be added to the reserve, with a targeted balance of 7% of general government operating expenditures.

Report from the Chief Financial Officer

In addition to the requirement under the Municipal Government Act to prepare and publish annual financial statements, the annual report informs taxpayers and other members of the public about the City's financial performance in 1999.

As well, this report describes significant financial events occurring during 1999, explains the City's major financial policies, provides an assessment of the City's general financial condition, and includes explanations of noteworthy items recorded in the accompanying financial statements.

1999 FINANCIAL HIGHLIGHTS

The 1999 financial statements of The City of Edmonton have been completed on a fund basis, and are comprised of an operating fund, a capital fund and a reserves fund. The results of the three funds have then been consolidated to report the overall financial position and financial activities of the City.

OPERATING FUND

The 1999 consolidated operating fund net revenues were $219.2 million and after providing for certain budgeted transfers and debt repayments, the fund balance increased by $51.4 million.

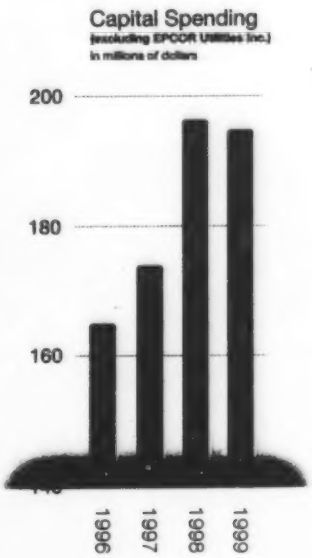
Net revenues for general government tax-supported operations were $38.0 million prior to transfers and debt repayment. The net decrease to the fund balance of $2.2 million was $8.1 million lower than the budgeted decrease in the fund balance. This was primarily attributable to appeals and tax losses from the introduction of market value based property assessments being significantly lower than anticipated.

Earnings on the Ed Tel Endowment Fund, established in 1995 with the proceeds of the sale of the telephone utility, exceeded the $38.5 million appropriation for general government operations by $8.8 million. The excess has been retained within the Endowment Fund. The overall market return on investments was 8.6 percent. The net asset book value at December 31, 1999 is $540.9 million, while the market value is estimated to be $593.1 million.

Earnings in the The City of Edmonton Sinking Fund, established to meet future obligations to the purchasers of certain City of Edmonton debentures, exceeded required earnings by $8.3 million. Of that amount, $3.7 million is owing to EPCOR Utilities Inc. under an agreement entered into January 1, 1996 to share earnings in excess of required earnings between the City and EPCOR. The unappropriated earnings attributable to the City at December 31, 1999 is $29.4 million. An amount of $338.5 million has been accumulated for future debt retirement.

EPCOR Utilities Inc. contributed $116.6 million in current year earnings, exceeding the budgeted earnings of $105.1 million by $11.5 million. Dividends of $70.5 million and franchise fees of $27.5 million were transferred to support general government tax-supported operations.

Other operations within the consolidated entity, including the Sanitary Utility, land operations, mobile equipment operations, Edmonton Public Library and Economic Development Edmonton, earned $51.2 million, prior to transfers and debt repayment of $51.3 million.



CAPITAL FUND

$193.7 million was expended on capital during 1999, excluding expenditures incurred within EPCOR Utilities Inc. Capital expenditures for tax-supported operations amounted to $153.0 million which were financed on a pay as you go basis from operating revenues, government transfers, developer contributions and transfers from reserves. The increase in the fund balance of $46.9 million and the accumulated fund balance of $86.9 million is committed to capital projects approved by City Council in or prior to 1999.

RESERVES FUND

The City maintains reserves designated for specific purposes as approved by City Council or the Boards of municipal entities. As at December 31, 1999 an amount of $98.5 million has been appropriated for future operating or capital purposes, an increase of $ 8.2 million or 9.1 percent over the level of the prior year.

Of the overall reserves fund, an amount of $24.2 million has been accumulated in the financial stabilization reserve, established in 1997, to protect the City against unforseen operating costs.

MARKET VALUE ASSESSMENT

A requirement of provincial government legislation is that properties must be assessed on an annual basis to reflect current market conditions. Starting in 1999, all properties were assessed at market or on the basis of Provincial Regulations and were taxed on this value by the City of Edmonton

City Council approved a one-time tax deferment for property owners who incur an increase of more than 10% in municipal taxes as a result of the introduction of market value assessment. Under the deferment program, amounts exceeding the 10% threshold can be paid over five years with the deferred portion being interest free in the first year.

FINANCE SHARED SERVICES

A complete restructuring of finance shared services was completed in 1999 to improve customer service. This included an evaluation and classification of each position needed in the new organization, the required qualifications for each position, and an employee improvement program to facilitate the placement of current employees in these positions. Initiatives such as using electronic tendering systems, implementing procurement cards, electronic training, and other innovations will further ensure the provision of efficient and effective finance shared services into the future.

2000 BUDGET

The 2000 Operating and Capital Budgets were approved by City Council in December 1999. The budgets are based on a 2.4 % increase in the municipal property and business tax revenues, without any borrowing for capital. This 2000 tax increase may be lower, depending on the final 1999 operating surplus amount. A 2.5% increase in Sanitary Utility rate was also approved. The budget also included selected increases in user fees for various municipal services, including waste management user fees.

City contributions for 2000 capital expenditures, except for the Sanitary Drainage Utility, will be funded from "pay-as-you-go" funds, in compliance with the Debt Management Fiscal Policy. Additional funding of $30 million over five years will be provided from unappropriated sinking fund earnings.

GFOA AWARDS

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Edmonton for its annual financial report for the fiscal year ended December 31, 1998. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. This is the sixth consecutive year that the City of Edmonton has received this award. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to the GFOA for consideration.

The City of Edmonton also received the 1999 Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada. The award represents a significant achievement and reflects the commitment of Council and staff to meeting the highest principles of governmental budgeting. Edmonton has satisfied nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well the budget serves as a policy document, a financial document, an operations guide, and a communication device.

CONCLUSION

1999 saw the final implementation of City '97 restructuring initiatives, the successful preparation of computer systems for Y2K, and the utilization of strategic long-range financial and business plans to guide the planning and delivery of city services.

The City's low and declining level of tax supported debt and sound financial management has been recognized by credit rating agencies in 1999. Canadian Bond Rating Service upgraded its rating to AA- from A+, Moody's upgraded its rating to Aa2 from Aa3, and Dominion Bond Rating Services assigned a rating of AA (high).

The forecast for strong economic growth in the Edmonton region will continue to provide the City with many challenges. The strong financial position of the City combined with its long-range business and financial planning and technological initiatives will enable the City to respond positively to these and other challenges into the new millennium.

Randell W. Garvey, CMA
Chief Financial Officer

March 27, 2000

Canadian Award for Financial Reporting

Presented to

City of Edmonton

For its Annual Financial Report for the Year Ended December 31, 1998

A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to municipalities whose annual financial reports achieve the high program standards for Canadian Government accounting and financial reporting.

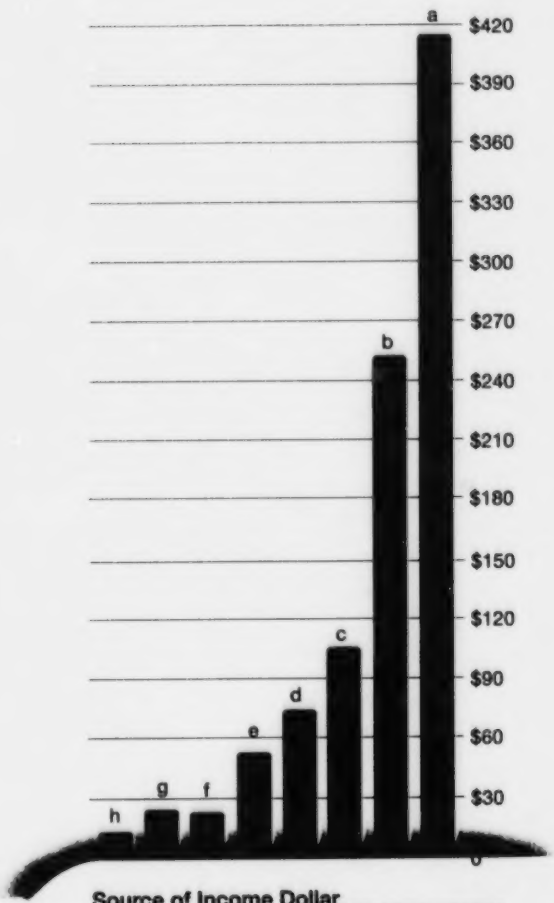
President

Executive Director

THE CITY OF EDMONTON, ALBERTA, CANADA

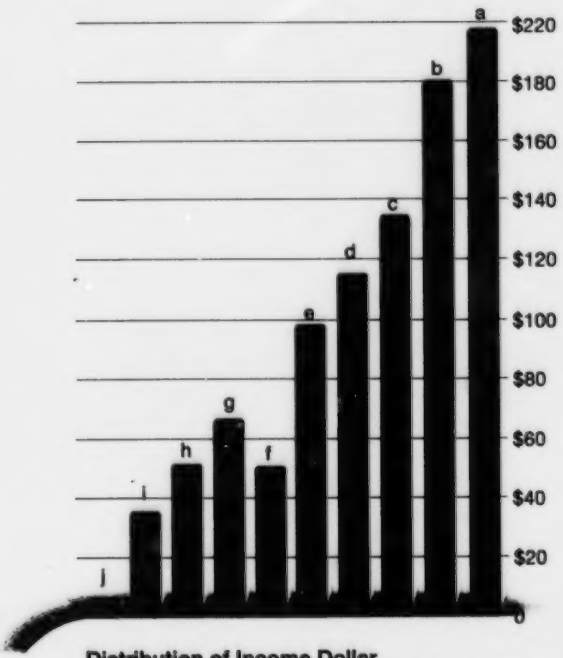
Financial Synopsis

Operating Fund - Source and Distribution of Income Dollar
(in thousands of dollars)



Source of Income Dollar

a	Taxation	$ 413,122	42.60%
b	Sale of goods and sevices	251,581	25.94%
c	Income from subsidiary operations	116,561	12.02%
d	Investment earnings	71,894	7.42%
e	Franchise fees	50,470	5.21%
f	Government transfers	26,422	2.72%
g	Fines and penalties	26,860	2.77%
h	Licences, permits and other	12,829	1.32%
		$ 969,739	



Distribution of Income Dollar

a	Protective services	$ 219,444	22.63%
b	Transportation services	180,757	18.64%
c	Community services	136,650	14.09%
d	Transfers to reserve and capital funds	116,310	11.99%
e	Corporate administration and general municipal	99,782	10.29%
f	Increase in operating fund balance	51,393	5.30%
g	Utility and enterprise services	67,789	6.99%
h	Debt repayment	51,466	5.31%
i	Waste management and storm sewer	37,301	3.85%
j	Tax appeals and allowances	8,847	0.91%
		$ 969,739	

MANAGEMENT'S REPORT

The management of The City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants. The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the financial statements.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls, as well as an internal audit function. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, in order that the integrity of financial records is maintained.

The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.

Bruce E. Thom, Q.C.
City Manager

Randell W. Garvey, CMA
Chief Financial Officer

March 27, 2000

' REPORT

To His Worship the Mayor and Members of Council
The City of Edmonton

We have audited the consolidated statement of financial position of The City of Edmonton as at December 31, 1999 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The City of Edmonton as at December 31, 1999 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants.

KPMG LLP

Chartered Accountants
Edmonton, Canada

March 27, 2000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 1999
(in thousands of dollars)

	1999	1998 (Note 19)
Financial Assets		
Cash and short-term investments (Note 2)	**$ 107,262**	$ 92,330
Taxes receivable	**31,949**	29,380
Accounts receivable	**64,470**	64,990
Prepaid expenses	**6,151**	2,375
Land for resale	**97,143**	100,229
Long-term investments (Note 3)	**766,466**	703,188
Investment in subsidiary (Note 15)	**840,760**	800,488
Total Financial Assets	**1,914,201**	1,792,980
Physical Assets (Note 4)	**722,775**	706,648
Total Assets	**2,636,976**	2,499,628
Liabilities		
Accounts payable and accrued liabilities (Note 5)	**145,086**	131,869
Deposits	**4,678**	4,449
Deferred revenue	**14,846**	9,820
Employee benefit obligations (Note 6)	**57,563**	61,255
Long-term debt (Note 7)	**343,425**	359,191
Total Liabilities	**565,598**	566,584
Municipal Position		
Capital fund (Schedule 2)	**86,874**	40,010
Equity in physical assets	**379,350**	347,457
	466,224	387,467
Reserves fund (Schedule 3)	**98,487**	90,303
Operating fund (Schedule 1)	**1,506,667**	1,455,274
Total Municipal Position	**2,071,378**	1,933,044
Total Liabilities and Municipal Position	**$ 2,636,976**	$ 2,499,628

Commitments and contingent liabilities (Notes 16 and 17)

See accompanying notes to consolidated financial statements.

Approved by:

Bruce E. Thom, Q.C.
City Manager

Randell W. Garvey, CMA
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

ended December 31, 1999

of dollars)

	1999	Budget	1998 (Note 19)
Revenues			
Net taxes available for municipal purposes (Note 11)	**$ 413,122**	$ 412,487	$ 393,362
User fees and sale of goods and services	**251,717**	244,225	269,475
Income from subsidiary operations (Note 15)	**116,561**	105,062	121,085
Investment earnings	**71,894**	65,192	79,439
Franchise fees	**50,470**	52,840	50,462
Government transfers (Note 12)	**90,577**	79,185	86,552
Developer and customer contributions	**33,197**	30,352	37,405
Fines and penalties	**26,860**	30,099	27,496
Licences and permits	**12,060**	10,702	11,476
	1,066,458	1,030,144	1,076,752
Expenditures (Note 14)			
Protective services:			
Police and bylaw enforcement	**137,741**	138,825	122,385
Emergency response	**89,043**	85,253	83,189
	226,784	224,078	205,574
Transportation services:			
Bus and light rail transit	**131,199**	138,373	134,420
Roadway and parking services	**145,721**	174,054	135,037
	276,920	312,427	269,457
Community services:			
Parks and recreation	**76,600**	86,230	79,343
Community and family services	**12,093**	12,016	12,700
Edmonton Public Library	**22,499**	24,504	21,252
Planning services	**10,449**	11,148	9,892
Convention and tourism	**12,620**	12,727	13,317
Public housing	**4,339**	4,885	4,919
Grants	**9,167**	12,160	5,187
	147,767	163,670	146,610
Utility and enterprise services:			
Sanitary	**71,235**	93,468	81,431
Cost of land sold	**19,505**	15,483	26,397
Mobile equipment operations	**17,753**	46,710	14,614
	108,493	155,661	122,442
Waste management and storm sewer	**70,014**	71,528	60,294
Corporate administration	**67,893**	74,758	64,141
General municipal	**37,533**	40,137	39,231
Tax appeals and allowances	**8,847**	25,176	6,265
	944,251	1,067,435	914,014
Excess of revenues over expenditures	**122,207**	(37,291)	162,738
Debenture borrowings	**35,700**	54,089	22,911
Debt repayment	**(51,466)**	(51,661)	(50,989)
Change in fund balances	**$ 106,441**	$ (34,863)	$ 134,660

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1999
(in thousands of dollars)

	1999	1998 (Note 19)
Cash provided by (used in):		
Operating Activities		
Excess of revenues over expenditures	**$ 122,207**	$ 162,738
Deduct non-cash item:		
Income from subsidiary operations	**(116,561)**	(121,085)
Decrease (increase) in taxes receivable	**(2,569)**	5,720
Decrease in accounts receivable	**520**	11,736
Decrease (increase) in prepaid expenses	**(3,776)**	191
Decrease in land for resale	**3,086**	5,412
Increase (decrease) in accounts payable and accrued liabilities	**13,217**	(12,480)
Increase (decrease) in deposits	**229**	(1,381)
Increase (decrease) in deferred revenue	**5,026**	(1,561)
Decrease in employee benefit obligations	**(3,692)**	(7,618)
Cash provided by operating activities	**17,687**	41,672
Investing Activities		
Increase in long-term investments	**(63,278)**	(66,944)
Dividends from subsidiary	**70,500**	67,000
Decrease in investment in subsidiary	**5,789**	
Cash provided by investing activities	**13,011**	56
Financing Activities		
Debenture borrowings	**35,700**	22,911
Repayment of long-term debt	**(51,466)**	(50,989)
Cash used in financing activities	**(15,766)**	(28,078)
Increase in cash position	**14,932**	13,650
Cash, beginning of year	**92,330**	78,680
Cash, end of year	**$ 107,262**	$ 92,330

Cash is represented by cash and short-term investments.

See accompanying notes to consolidated financial statements.

SCHEDULE 1 - OPERATING FUND

For the year ended December 31, 1999
(thousands of dollars)

	1999	Budget	1998 (Note 19)
Revenues			
Net taxes available for municipal purposes (Note 11)	$ 413,122	$ 412,487	$ 393,362
User fees and sale of goods and services	251,581	244,225	266,906
Income from subsidiary operations (Note 15)	116,561	105,062	121,085
Investment earnings	71,894	65,192	79,439
Franchise fees	50,470	52,840	50,462
Government transfers (Note 12)	26,422	24,515	28,290
Developer and customer contributions	769		985
Fines and penalties	26,860	30,099	27,496
Licences and permits	12,060	10,702	11,476
	969,739	945,122	979,501
Expenditures			
Protective services:			
Police and bylaw enforcement	130,867	128,782	120,172
Emergency response	88,577	84,028	82,496
	219,444	212,810	202,668
Transportation services:			
Bus and light rail transit	110,986	112,480	105,332
Roadway and parking services	69,771	61,663	63,400
	180,757	174,143	168,732
Community services:			
Parks and recreation	68,496	64,497	65,998
Community and family services	12,093	12,016	12,700
Edmonton Public Library	20,491	20,352	19,204
Planning services	10,364	9,842	9,829
Convention and tourism	11,700	11,987	11,057
Public housing	4,339	4,885	4,919
Grants	9,167	12,160	5,187
	136,650	135,739	128,894
Utility and enterprise services:			
Sanitary	43,288	49,698	44,434
Cost of land sold	19,505	15,483	26,397
Mobile equipment operations	4,996	3,530	4,320
	67,789	68,711	75,151
Waste management and storm sewer	37,301	35,597	34,768
Corporate administration	62,249	63,800	61,540
General municipal	37,533	40,137	39,231
Tax appeals and allowances	8,847	25,176	6,265
	750,570	756,113	717,249
Excess of revenues over expenditures	219,169	189,009	262,252
Net interfund transfers			
To capital fund	(105,004)	(124,290)	(105,837)
To reserves fund	(11,306)	1,996	(13,695)
Debt repayment	(51,466)	(51,661)	(50,989)
Change in fund balance	51,393	15,054	91,731
Opening balance	1,455,274	1,455,274	1,363,543
Closing balance (Note 10)	$ 1,506,667	$ 1,470,328	$ 1,455,274

See accompanying notes to consolidated financial statements.

SCHEDULE 2 - CAPITAL FUND

for the year ended December 31, 1999
(in thousands of dollars)

	1999	Budget	1998 (Note 19)
Revenues			
Government transfers (Note 12)	**$ 64,155**	$ 54,670	$ 58,262
Developer and customer contributions	**32,428**	30,352	36,420
Other	**136**		2,569
	96,719	85,022	97,251
Expenditures			
Protective services:			
Police and bylaw enforcement	**6,874**	10,043	2,213
Emergency response	**466**	1,225	693
	7,340	11,268	2,906
Transportation services:			
Bus and light rail transit	**20,213**	25,893	29,088
Roadway and parking services	**75,950**	112,391	71,637
	96,163	138,284	100,725
Community services:			
Parks and recreation	**8,104**	21,733	13,345
Edmonton Public Library	**2,008**	4,152	2,048
Planning services	**85**	1,306	63
Convention and tourism	**920**	740	2,260
	11,117	27,931	17,716
Utility and enterprise services:			
Sanitary	**27,947**	43,770	36,997
Mobile equipment operations	**12,757**	43,180	10,294
	40,704	86,950	47,291
Waste management and storm sewer	**32,713**	35,931	25,526
Corporate administration	**5,644**	10,958	2,601
	193,681	311,322	196,765
Excess of expenditures over revenues	**96,962**	226,300	99,514
Net interfund transfers			
From operating fund	**105,004**	124,290	105,837
From reserves fund	**3,122**	16,899	7,089
Debenture borrowings	**35,700**	54,089	22,911
	143,826	195,278	135,837
Change in fund balance	**46,864**	(31,022)	36,323
Opening balance	**40,010**	40,010	3,687
Closing balance (Note 9)	**$ 86,874**	$ 8,988	$ 40,010

See accompanying notes to consolidated financial statements.

SCHEDULE 3 – RESERVES FUND

Year ended December 31, 1999

(thousands of dollars)

	1999	Budget	1998 (Note 19)
Opening balance	**$ 90,303**	$ 90,303	$ 83,697
Add (deduct):			
Transfer from operating fund	**29,526**	20,146	29,746
Transfer to operating fund	**(18,220)**	(22,142)	(16,051)
Net transfer from operating fund	**11,306**	(1,996)	13,695
Transfer from capital fund	**4,899**		3,952
Transfer to capital fund	**(8,021)**	(16,899)	(11,041)
Net transfer to capital fund	**(3,122)**	(16,899)	(7,089)
Change in fund balance	**8,184**	(18,895)	6,606
Closing balance (Note 8)	**$ 98,487**	$ 71,408	$ 90,303

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1999
(in thousands of dollars)

The City of Edmonton is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act.

1. Significant Accounting Policies

The consolidated financial statements of The City of Edmonton (the City) are prepared by management in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported operations, they include the following:

2492369 Canada Corporation
Edmonton Sanitary Sewage System
Land Development Enterprise
Land Fund
Mobile Equipment Services
Ed Tel Endowment Fund
The Edmonton Public Library
Economic Development Edmonton

Interdepartmental and organizational transactions and balances are eliminated.

Certain subsidiary corporations are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 15). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Subsidiary corporations accounted for in this manner are:

EPCOR Utilities Inc.
The City of Edmonton Non-Profit Housing Corporation

The statements exclude trust assets that are administered for the benefit of external parties (Note 18).

b) Basis of Accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues, and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

c) Fund Accounting

Funds within the consolidated financial statements consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

d) Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

ended December 31, 1999

of dollars)

e) Long-Term Investments

Fixed income investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Purchase premiums and discounts are amortized on the present value basis over the terms of the issues.

Investments in common and preferred shares are recorded at cost, or at cost less amounts written off to reflect a permanent decline in value.

f) Physical Assets

Physical assets, comprised of capital assets, local improvements, land for future municipal purposes, and inventories of materials and supplies, are recognized as expenditures in the period they are acquired.

Capital assets employed in general government tax-supported operations are carried on the statement of financial position at cost net of financing provided from capital fund revenues and reserve and operating funds. Capital assets employed in other operations are carried at cost, and the related financing from capital fund revenues and reserve and operating funds is recorded as equity in physical assets.

Capital assets are amortized over their estimated useful lives.

Local improvements are authorized by property owners and undertaken by the City. The construction and borrowing costs are recovered through annual local improvement property assessments during the period of the related borrowings.

Land for future municipal purposes is valued at cost. Inventories of materials and supplies are valued at the lower of average cost and replacement cost.

g) Equity in Physical Assets

Equity in physical assets represents the investment in physical assets, after deducting the portion financed by long-term debt.

h) Reserves for Future Expenditures

Certain amounts, as approved by City Council, are set aside in reserves for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

i) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

j) Foreign Currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenditures are translated at rates in effect at the time of the transactions. Gains and losses on foreign currency translations are included as revenues (expenditures).

k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 1999
(in thousands of dollars)

2. Cash and Short-Term Investments

	1999	1998
Bankers' acceptances, treasury bills and commercial paper, at cost	**$119,929**	$ 98,631
Cheques outstanding in excess of deposits	**(12,667)**	(6,301)
	$107,262	$ 92,330

3. Long-Term Investments

	Amortized Cost		Market Value	
	1999	1998	**1999**	1998
Cash	**$ 2,031**	$ 2,646	**$ 2,031**	$ 2,646
Amounts receivable - net	**5,368**	5,481	**5,377**	5,490
Fixed income:				
Short-term notes and deposits	**38,499**	54,951	**38,668**	55,366
Government and government guaranteed bonds	**360,282**	315,689	**351,774**	331,980
Corporate bonds and debentures	**123,917**	105,370	**122,608**	111,551
	522,698	476,010	**513,050**	498,897
Common and preferred shares:				
Canadian	**156,121**	150,365	**206,244**	166,807
International	**80,228**	68,666	**101,560**	93,560
	236,349	219,031	**307,804**	260,367
Other investments	**20**	20	**20**	20
	$ 766,466	$703,188	**$828,282**	$767,420

Short-term notes and deposits have effective interest rates of 4.6 to 5.5 percent (1998 – 5.0 to 5.3 percent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 3.7 to 10.5 percent (1998 – 4.3 to 12.9 percent) with maturity dates from January 31, 2000 to March 1, 2039 (1998 – January 9, 1999 to October 1,2029).

4. Physical Assets

	Cost	Accumulated Depreciation	1999 Net Book Value	1998 Net Book Value
Capital Assets:				
Sanitary Sewage System	$ 589,263	$128,544	**$460,719**	$442,165
Engineering Structures	115,285	56,040	**59,245**	60,320
Land	1,344		**1,344**	1,344
Buildings	74,673	34,965	**39,708**	43,215
Vehicles	110,610	66,425	**44,185**	41,120
Machinery and Equipment	5,460	1,524	**3,936**	4,028
	896,635	287,498	**609,137**	592,192
Local improvements	151,578	72,971	**78,607**	81,567
Land for future municipal purposes	21,330		**21,330**	19,548
Inventories of materials and supplies	13,701		**13,701**	13,341
	$1,083,244	$360,469	**$722,775**	$706,648

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
ar ended December 31, 1999
ds of dollars)

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is $9,853 (1998 - $9,178) of the estimated total landfill closure and post closure care expenditures of $10,595. The estimated liability for these expenditures is recognized as the landfill site's capacity is used and the reported liability represents the portion of the estimated total expenditures recognized as at December 31, 1999, based on the cumulative capacity used at that date, compared to the total estimated landfill capacity. Estimated total expenditures represent the sum of the discounted future cash flows for closure and post closure care activities discounted at the City's average long term borrowing rate of 8.9%.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a forty year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the landfill site is 7% of its total estimated capacity and its estimated remaining life is 13 years, after which the period for post closure care is estimated to be 30 years.

6. Employee Benefit Obligations

	1999	1998
Accrued vacation	**$ 34,068**	$ 31,321
Reorganization initiatives	**1,965**	7,026
Income replacement plan	**13,670**	15,116
Group life plan	**5,279**	5,669
Short-term disability plan	**1,095**	531
Other	**1,486**	1,592
	$ 57,563	$ 61,255

The City of Edmonton is undergoing organizational changes. Expenditures related to this reorganization have been recorded as expenditures of the period and as an employee benefit obligation.

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April, 1991. The outstanding liability will be paid to employees in accordance with the agreed upon terms and conditions of the plan. The liability is based on an actuarial valuation completed by the actuaries of William M. Mercer Limited as at December 31, 1999.

The City sponsors certain employee benefit plans which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements, and administrative costs are applied to each of the respective plans. Net plan balances are retained, to offset future costs, or for such other uses as may be agreed between the City and the respective employee associations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 1999
(in thousands of dollars)

7. Long-Term Debt

a) Debt Payable, issued in the name of The City of Edmonton, includes the following amounts:

	1999	1998
Debentures	$ 1,652,562	$ 1,744,985
Mortgages	14,269	14,454
	1,666,831	1,759,439
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	924,076	1,026,671
TELUS Edmonton Holdings Inc.		78,134
Royal Alexandra Hospital	1,699	2,111
Less sinking fund assets	397,631	293,332
	$ 343,425	$ 359,191
Long-term debt is comprised of:		
Self-liquidating debt	$ 273,821	$ 275,525
Tax-supported debt	69,604	83,666
	$ 343,425	$ 359,191

The amount receivable from EPCOR Utilities Inc. relates to debentures issued in the name of the City on behalf of EPCOR Utilities Inc. and has the same repayment terms as the respective debt.

Notes receivable from TELUS Edmonton Holdings Inc. corresponded to existing issues of City debentures attributed to Edmonton Telephones Corporation. The notes receivable and the attributed debentures were held within 2492369 Canada Corporation. The matching notes had the same interest rates and repayment terms as the underlying debentures and were unsecured debt obligations of TELUS Edmonton Holdings Inc. supported by a negative pledge of assets and covenants on the issue of any new long-term debt. TELUS Edmonton Holdings Inc. has defeased their matching note indebtedness with the delivery, on December 24, 1999, of a matching note defeasance portfolio sufficient to pay, by the due dates, the indebtedness under the underlying debentures. The defeasance portfolio is included in sinking fund assets to the extent of the outstanding underlying debentures of $59,110.

Outstanding debentures of $946,425 are secured by sinking fund assets with a carrying value of $338,520 (market value - $343,346) and required earnings of 5.0 to 7.0 percent. Sinking fund assets are comprised of short-term notes and deposits, government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include City of Edmonton debentures with a carrying value of $18,583 (market value - $22,064).

Short-term notes and deposits have an effective interest rate of 5.1 percent (1998 – 5.6 percent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 3.7 to 10.5 percent (1998 – 3.0 to 12.0 percent) with maturity dates from April 24, 2000 to June 1, 2027 (1998 – January 9, 1999 to October 1, 2029).

Principal payments on long-term debt for the next five years, are as follows:

	2000	2001	2002	2003	2004
Self-liquidating debt	$ 135,274	$ 134,632	$ 113,157	$ 99,712	$ 81,476
Tax-supported debt	14,289	14,063	15,301	16,650	3,813
	149,563	148,695	128,458	116,362	85,289
Less: Payments on offsetting amounts receivable	71,882	70,269	52,164	42,765	29,503
Sinking fund principal	28,736	28,736	28,736	28,736	27,377
	$ 48,945	$ 49,690	$ 47,558	$ 44,861	$ 28,409

Payments on offsetting amounts receivable and sinking fund principal amounts relate to self-liquidating debt. The above amounts do not include annual sinking fund required earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 1999
(thousands of dollars)

b) Debt Limit:

Regulations under section 271 of the Municipal Government Act, as passed by the Province of Alberta, establish municipal debt limits. The debt limit for the City is two times revenue net of government transfers, as defined in the Regulation, or $1,771,484. Total debt at December 31, 1999 calculated as outlined in the Regulation is $405,521.

Limitations on the City's 2000 debt service are set as 0.35 times 1999 revenue net of government transfers or $310,010. Debt service, as defined in the Regulation, is $103,155.

c) Maturities and Interest Rates:

Existing long-term debt matures in annual amounts to the year 2026 and debenture interest is payable, before provincial subsidy, at rates ranging from 5.25% to 12.00% per annum. The average annual interest rate is 8.91% for 1999 (1998 - 9.33%), before rebate. The Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11%, for qualifying debt issues.

8. Reserves Fund

	1999	1998
General Government:		
Financial Stabilization	$ 24,227	$ 26,273
Waste Management Rate Stabilization	15,890	5,561
Funds in Lieu - Residential	9,498	8,843
Snow Removal	7,600	7,600
Other	6,764	7,655
Self Insurance	4,673	7,650
Parkland Reserve	4,596	4,003
Downtown Housing Reinvestment Grant	3,541	
Enterprise Portfolio	2,836	1,783
Capital City Recreation Park	2,700	2,590
Perpetual Care	2,607	2,482
Interest Rebate	2,100	3,284
Accommodation	1,753	2,442
Convention Centre Hotel	1,694	1,866
Convention Centre	1,136	1,114
Heritage Resources	1,096	819
Social Services Revenue Stabilization	1,075	1,023
Service Agreements	931	2,450
	94,717	87,438
Economic Development Edmonton	1,187	1,131
Edmonton Public Library	2,583	1,734
	$ 98,487	$ 90,303

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 1999
(in thousands of dollars)

9. Capital Fund

The capital fund balance is comprised of the following:

	1999	1998
Amounts to be financed:		
Inventories of materials and supplies	**$ (11,389)**	$ (11,066)
Land for future municipal purposes	**(1,986)**	1,801
Sanitary drainage physical assets	**(2,821)**	(16,735)
Other physical assets	**(6,282)**	(7,623)
	(22,478)	(33,623)
Financing available:		
Funds for future construction	**109,352**	73,633
	$ 86,874	$ 40,010

Amounts to be financed related to inventories of materials and supplies will be financed at the point they are utilized.

The remainder of the amounts to be financed will be considered within the City's Capital Priorities Plan (Note 16).

10. Operating Fund

	Dec. 31 1998	Revenues in Excess of Expenditures	Transfers and Debt Repayment	**Dec. 31 1999**
General Government				
- Operations	$ 18,585	$ 37,981	$ (40,186)	**$ 16,380**
- Excess earnings on Sinking Fund	24,793	4,625		**29,418**
Sanitary Sewage System		36,941	(36,941)	
Land Development Enterprise	16,113	4,313	(3,823)	**16,603**
Land Fund	35,972	(1,057)	2,922	**37,837**
Mobile Equipment Services	25,524	10,236	(11,718)	**24,042**
Construction Branch	1,048		(1,048)	
Ed Tel Endowment Fund	532,036	8,875		**540,911**
EPCOR Utilities Inc.	800,488	116,561	(76,289)	**840,760**
The Edmonton Public Library	311	(75)	36	**272**
Economic Development Edmonton	404	769	(729)	**444**
	$ 1,455,274	$ 219,169	$ (167,776)	**$ 1,506,667**

The general government operations fund balance at December 31 is fully appropriated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

ear ended December 31, 1999
s of dollars)

11. Net Taxes Available for Municipal Purposes

	1999	1998
Taxes:		
Property and business taxes	$ 611,002	$ 579,686
Revenue in lieu of taxes	22,249	25,584
Local improvement levies	18,921	19,460
Other	2,671	3,892
	654,843	628,622
Less taxes on behalf of:		
Education	240,425	232,682
Business revitalization zones	1,296	1,242
Northlands Park		1,336
	241,721	235,260
Net taxes available for municipal purposes	$ 413,122	$ 393,362

The City is required to levy taxes under section 353 of the Municipal Government Act towards the payment of education requisitions. Education tax revenues are recorded at the amounts levied. Taxes levied over (under) the amount requisitioned are recorded as accounts payable (receivable).

An amount of education taxes payable of $2,072 has been recorded at December 31, 1999 (1998 - $1,014) within accounts payable and accrued liabilities.

12. Government Transfers

The following government transfers have been included in revenues:

	1999	1998
Operating transfers:		
Federal	$ 1,268	$ 2,834
Provincial	25,154	25,455
Other		1
	26,422	28,290
Capital transfers:		
Federal:		
Shared cost agreements	142	3,332
Provincial:		
Shared cost agreements	62	3,333
Grants and entitlements	63,951	51,597
	64,013	54,930
	64,155	58,262
	$ 90,577	$ 86,552

13. Executive Salaries and Benefits

The following executive salaries and benefits are disclosed as required by Regulations under section 276 of the Municipal Government Act passed by the Province of Alberta.

	Salaries	Benefits	1999 Totals	1998 Totals
Mayor	$ 89	$ 10	$ 99	$ 99
Councillors (12)	535	10	545	506
Chief administrative officer	184	10	194	173
City Assessor	87	4	91	104
	$ 895	$ 34	$ 929	$ 882

Executive salaries and benefits are included in corporate administration expenditures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 1999
(in thousands of dollars)

14. Expenditures by Object

	1999	1998
Salaries, wages and employee benefits	$ 472,447	$ 463,265
Contracted and general services	255,693	222,449
Materials, goods, supplies, and utilities	156,947	161,565
Interest and bank charges	38,315	41,792
Other	20,849	24,943
	$ 944,251	$ 914,014

15. Subsidiary Operations

a) EPCOR Utilities Inc.

EPCOR Utilities Inc., established by City Council under City By-law 11071, is wholly owned by The City of Edmonton and provides regulated and unregulated electric utility services, water utility services, and complementary commercial services.

The following table provides condensed supplementary financial information for EPCOR Utilities Inc.

	1999	1998
Financial position:		
Current assets	$ 158,436	$ 141,093
Capital assets	2,183,237	2,077,901
Deferred charges	15,346	9,713
Total assets	2,357,019	2,228,707
Current liabilities (including current portion of long-term debt of $83,544)	452,539	463,602
Non-current liabilities	9,103	24,088
Long-term debt	1,054,617	940,529
Total liabilities	1,516,259	1,428,219
Net assets	840,760	800,488
Results of operations:		
Revenues	1,000,006	978,551
Operating expenses	765,391	732,369
Financing expenses	122,578	127,700
Other income	4,524	2,603
Net income	$ 116,561	$ 121,085

The above information is as reported by EPCOR Utilities Inc. Long-term debt reported by EPCOR Utilities Inc. has been issued in the name of the City. Offsetting short and long-term receivables from EPCOR Utilities Inc. have been applied to reduce the consolidated long-term debt (Note 7).

TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

ended December 31, 1999

of dollars)

The following summarizes the City's related party transactions with EPCOR Utilities Inc. for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	1999	1998
Dividends received	$ 70,500	$ 67,000
Power and water purchased	16,149	16,128
Other services purchased	22,295	22,727
Franchise fees and revenue tax received	27,497	27,786
Property taxes and other taxes	10,886	11,554
Sales of administrative and construction services	15,328	22,044
Excess earnings in Sinking Fund available to EPCOR Utilities Inc. as at December 31	15,826	12,196

EPCOR Utilities Inc. has issued letters of credit for $4.6 million as security to ensure the satisfactory performance of surface reclamation of the Genesee mine site pursuant to the Land Surface Conservation and Reclamation Act.

b) The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)

The City is the sole shareholder of the Non-Profit Housing Corporation, established in 1977 for the purpose of providing non-profit housing for the citizens of Edmonton. The Corporation operates properties with 658 housing units.

The following table provides condensed supplementary financial information for Non-Profit Housing Corporation.

	1999	1998
Financial position:		
Current assets	$ 3,400	$ 3,276
Housing projects	28,259	29,160
Total assets	31,659	32,436
Current liabilities	1,256	1,261
Mortgages payable	28,644	29,600
Total liabilities	29,900	30,861
Replacement reserves	841	846
Net assets	918	729
Results of operations:		
Revenues - rental	3,575	3,485
Revenues - operating assistance	1,253	1,397
Rental expenses	4,193	4,514
Administrative expenses	220	210
Other income	90	128
Net income	$ 505	$ 286

Pursuant to operating agreements, Non-Profit Housing Corporation receives subsidies from Canada Mortgage and Housing Corporation (CMHC) and Alberta Social Housing Corporation (ASHC). The Corporation has utilized the method of calculation of replacement reserves as permitted under the current understandings with the funding agencies. Due to the inherent uncertainties surrounding the replacement reserves requirements, the investment in the Non-Profit Housing Corporation is carried at nil value in the consolidated financial statements of The City of Edmonton.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 1999
(in thousands of dollars)

16. Commitments

a) Capital Requirements:

City Council has approved a 2000 - 2004 Capital Priorities Plan of $435,948. The 2000 requirement of $274,477 is to be funded as follows:

Reserves, grants and developer contributions	$ 178,676
Self-liquidating debentures	19,623
Pay-as-you-go financing	76,178
	$ 274,477

Capital requirements related to EPCOR Utilities Inc. are not included in the Capital Priorities Plan.

b) Pension Plans:

i) Local Authorities Pension Plan:

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan which is one of the plans covered by the Public Sector Pension Plans Act.

The City is required to make current service contributions to the Plan of 5.025 percent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 6.900 percent thereafter. Employees of the City are required to make current service contributions of 4.025 percent of pensionable salary up to YMPE and 5.900 percent thereafter. Contributions for current and past service are recorded as expenditures in the year in which they become due.

Total current and past service contributions by the City to the Local Authorities Pension Plan in 1999 were $15,022 (1998 - $14,332). Total current and past service contributions by the employees of the City to the Local Authorities Pension Plan in 1999 were $12,583 (1998 - $11,992).

ii) Special Forces Pension Plan:

Police officers employed by the City are participants in the Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 9.05 percent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 percent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Participants of the SFPP are required to make current service contributions of 7.95 percent of pensionable salary and past service contributions of 0.75 percent of pensionable salary to the Plan. Contributions for current and past service are recorded as expenditures in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 1999 were $6,337 (1998 - $5,922). Total current and past service contributions by the participants to the SFPP in 1999 were $5,657 (1998 - $5,345).

iii) Annuity Fund:

The City provides pension benefits to members who were retired at the time the City's Pension Plan was transferred to the Province of Alberta. An actuarial valuation of the Plan as at December 31, 1997 was performed by Aon Consulting and was then extrapolated to December 31, 1999. The extrapolation disclosed an actuarial surplus of $5,411. This surplus represents the excess of the market value of the Plan net assets of $5,678 over the estimated actuarial present value of pension benefits of $267. This actuarial surplus has not been recorded within the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 1999
(in thousands of dollars)

iv) Police Supplementary Pension Fund:

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the Local Authorities Pension Plan for 44 beneficiaries. There are no active police officers enrolled in PSPP and no further contributions are expected to be made to the Fund. An actuarial valuation of the Plan as at December 31, 1997 was performed by Aon Consulting and then was extrapolated to December 31, 1999. The extrapolation disclosed an actuarial surplus of $3,998 which represents the excess of the market value of Plan assets of $5,206 over the estimated actuarial present value of pension benefits of $1,208. This actuarial surplus has not been recorded within the consolidated financial statements.

v) Fire Fighters' Supplementary Pension Fund:

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the Local Authorities Pension Plan. Active fire fighters continue to earn pension credits under the FFSPP.

An actuarial valuation of the Plan as of December 31, 1997 was performed by Towers Perrin and was then extrapolated to December 31, 1999. The present value of pension benefits was determined using the projected unit credit actuarial cost method prorated on service. The extrapolation disclosed an actuarial surplus of $15,124, which represents the excess of the market value of the Plan assets of $90,199 over the estimated actuarial present value of accrued plan benefits of $75,075. This surplus has not been recorded in the consolidated financial statements.

vi) Fire Chief and Deputy Fire Chief Supplementary Pension Fund:

The City of Edmonton Fire Chief and Deputy Fire Chief Plan is a defined benefit pension plan covering employees in the position of fire chief and deputy fire chief. Contributions are made by Plan members and the City. The pension is reduced by the pension payable to the member under the Local Authorities Pension Plan.

An actuarial valuation of the Plan as at December 31, 1997 was performed by Aon Consulting and was then extrapolated to December 31, 1999. The present value of pension benefits was determined using the projected unit credit actuarial cost method prorated on service. The extrapolation disclosed an actuarial unfunded liability of $227, which represents the deficiency of the market value of the Plan assets of $1,161 over the estimated actuarial present value of pension benefits of $1,388. This liability has not been recorded in the consolidated financial statements.

17. Contingent Liabilities

a) The City is defendant in various lawsuits as of December 31, 1999. While it is not possible to estimate the ultimate liability with respect to the pending litigation, the City Solicitor believes there will be no material adverse effect on the financial position of the City.

b) The City is reviewing environmental objectives and liabilities for its activities and properties and potential site reclamation obligations. The amount of any such obligations has not been determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 1999
(in thousands of dollars)

18. Trust Assets and Liabilities

The City administers the following trusts on behalf of third parties. As related trust assets are not owned by the City, the trusts have been excluded from the consolidated financial statements.

	Dec. 31 1998	Deposits (Withdrawals)	Interest	**Dec. 31 1999**
Pension Fund Assets:				
Annuity Fund	$ 5,114	$ (65)	$ 629	**$ 5,678**
Police Supplementary Pension Fund	4,744	(117)	579	**5,206**
Fire Fighters' Supplementary Pension Fund	82,034	(1,868)	10,033	**90,199**
The City of Edmonton Supplementary Pension Plan For Employees in the Positions of Fire Chief and Deputy Fire Chief	922	121	118	**1,161**
	92,814	(1,929)	11,359	**102,244**
Long-Term Disability Plan	27,431	990	1,629	**30,050**
Other	134	191	9	**334**
	$120,379	$ (748)	$ 12,997	**$132,628**

Pension Fund assets include fixed income investments in government and government guaranteed bonds, corporate bonds, short-term notes and deposits, valued at market quotations from Canadian investment dealers, and common and preferred shares valued at the closing price on the stock exchange where listed. Assets of the pension funds are administered by the Investment Committee of The City of Edmonton.

19. Accounting Changes

a) Changes in Accounting Policy

The City has adopted the following changes in accounting policy:

i) Solid waste landfill closure and post closure care obligations previously accounted for as a reserve have been restated as a liability to conform with new recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and;

ii) Funds provided from the Operating Fund for capital expenditures were previously classified as transfers from operating fund to reserves and then transfers from reserves to capital fund as capital expenditures were incurred. Amounts remaining for future capital expenditures were retained in the Reserve Fund. These transfers from the operating fund to reserves have been reclassified as transfers to capital fund to more appropriately reflect the financial position of the capital fund.

These changes have been applied retroactively and the previously reported 1998 reserve fund opening balance has decreased by $41,440; the 1998 capital fund and landfill post closure liability opening balances have increased by $32,792 and $8,648 respectively.

TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
ended December 31, 1999
of dollars)

b) Prior Period Adjustment

Certain restricted funds held for future capital expenditures and previously accounted for as a liability were released by developers to the capital fund in 1998. Accordingly 1998 capital fund revenues and the capital balance have been restated to reflect these amounts in the capital fund.

Accounting changes as noted in (a) and (b) have increased (decreased) fund closing balances and liabilities as at December 31, 1998 and the excess of revenues over expenditures for 1998 as follows:

Capital fund	$ 40,009
Reserve fund	(44,036)
Liabilities	4,027
Excess of revenues over expenditures	4,621

20. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

SCHEDULES AND STATISTICS
STATISTICAL REVIEW FOR THE YEARS 1995 TO 1999

Unaudited

(In thousands of dollars)

	1999	1998	1997	1996	1995
Population (Note 1)	**648,284**	616,306	616,306	616,306	627,604
Population age distribution (%)					
0-4	**5.93**	6.93	6.93	6.93	7.12
5-19	**19.86**	19.98	19.98	19.98	19.83
20-29	**16.61**	16.21	16.21	16.21	16.95
30-39	**17.08**	18.65	18.65	18.65	19.25
40-49	**15.64**	14.75	14.75	14.75	14.10
50-59	**9.75**	8.83	8.83	8.83	8.61
60-64	**3.68**	3.58	3.58	3.58	3.64
65+	**11.45**	11.07	11.07	11.07	10.50
Area - in hectares	**70,067**	70,067	70,067	70,067	70,067
- in square kilometers	**700**	700	700	700	700
Value of building permits	**$657,535**	$674,649	$546,640	$406,537	$360,202
Number of housing starts (per Canada Mortgage and Housing Corporation)	**3,932**	3,591	3,015	1,935	1,893
Consumer price index - 1992 base year (per Statistics Canada)					
Edmonton	**112.2**	109.7	108.7	106.8	104.5
Alberta	**113.4**	110.7	109.5	107.3	105.0
Canada	**110.5**	109.3	107.6	105.9	104.2
Unemployment rate (%) - annual average (per Statistics Canada)					
Edmonton	**5.9**	6.2	6.9	8.5	8.9
Alberta	**5.7**	5.7	6.0	7.0	7.8
Canada	**7.6**	8.3	9.2	9.7	9.5
City of Edmonton employees (Note 2)	**8,443**	8,482	8,618	8,706	9,330

Notes:

1. The population figures subsequent to 1995 are as per the 1996 and 1999 Canada Census. Population figures for 1995 is projected by The City of Edmonton Forecast Committee, based upon a population forecast model.
2. Positions are stated in full time equivalents (FTE's). Positions prior to 1996 include Edmonton Water.

SCHEDULES AND STATISTICS
STATISTICAL REVIEW FOR THE YEARS 1995 TO 1999 (continued)

Unaudited

(in thousands of dollars, except per capita)

	1999	1998	1997	1996	1995
Assessment:					
Total taxable assessment	**$32,724,906**	$28,518,674	$27,713,496	$29,917,606	$29,102,430
Percentage of total assessment represented by:					
Residential properties	**74.0**	72.1	72.9	69.6	70.9
Commercial properties	**26.0**	27.9	27.1	30.4	29.1
Taxable assessment per capita	**$ 50,479**	$ 46,274	$ 44,967	$ 48,543	$ 46,371
Market value of taxable assessment (Note 1)	**$32,724,906**	$30,574,422	$28,396,369	$29,487,005	$30,476,190
Assessment for principal taxpayers (%)	**6.7**	5.5			
Rates of taxation (mills):					
Single family residential	**13.50**	15.19	14.98	14.87	15.06
Other residential property	**14.94**	16.66	16.38	16.19	16.38
Commercial and industrial	**25.00**	27.62	27.62	26.23	26.96
Tax levy, collections, and arrears:					
Current year's levy:					
Property	**$ 564,127**	$ 537,518	$ 536,745	$ 569,407	$ 564,958
Business	**68,467**	64,184	65,271	63,421	63,290
Collections:					
Property	**$ 552,105**	$ 528,038	$ 503,740	$ 539,975	$ 566,977
Business	**67,814**	64,864	66,524	64,005	57,542
Arrears at December 31 - net:					
Property	**$ 29,938**	$ 28,024	$ 33,689	$ 43,528	$ 35,240
Business	**2,011**	1,356	1,411	2,856	5,726
Percentage of current property taxes collected	**94.7**	95.5	88.9	91.5	96.8
Percentage of net property tax arrears collected	**63.2**	44.4	60.9	53.5	51.1
Property tax arrears per capita (gross)	**$ 58.18**	$ 63.74	$ 73.72	$ 101.26	$ 90.75
Property tax arrears per capita (net)	**46.18**	45.47	54.66	70.63	56.15
Property tax levy per capita	**870.18**	872.16	870.91	923.90	900.18
Education Taxes (Note 2)	**240,425**	232,682	246,727	267,177	273,984

Source: City of Edmonton Corporate Services Department

Notes:

1. Effective in 1999 The City of Edmonton adopted market value assessment as the basis for property taxation.
2. Education taxes in 1997 to 1999 reflect the amounts collected for education. Education taxes prior to 1997 reflect amounts requisitioned by the Province of Alberta and/or the School Boards.

SCHEDULES AND STATISTICS
STATISTICAL REVIEW FOR THE YEARS 1995 TO 1999 (continued)

(Thousands of dollars)

	1999	1998	1997	1996	1995
Investment funds (Note 1):					
Ed Tel Endowment Fund (Note 2)					
Net assets-market value	**$ 593,130**	$ 582,872	$ 580,863	$ 548,315	$ 501,230
Net assets-cost	**540,911**	532,037	527,420	493,332	474,001
Net earnings	**47,391**	52,458	70,388	55,631	34,114
Fund rate (%)	**8.9**	10.0	14.3	11.7	8.6
Market (%)	**8.6**	9.4	12.9	16.9	11.8
The Reserves Fund					
Net assets-market value	**$ 220,724**	$ 173,726	$ 118,750	$ 72,477	$ 69,498
Net assets-cost	**211,434**	165,056	111,953	67,059	66,099
Net earnings	**9,810**	9,380	9,917	7,634	4,799
Fund rate (%)	**5.8**	8.2	9.4	11.0	6.9
Market (%)	**5.9**	9.4	10.3	14.0	18.5
The Sinking Fund					
Net assets-market value	**$ 389,329**	$ 374,149	$ 383,890	$ 388,063	$ 345,936
Net assets-cost	**383,872**	330,336	342,792	353,167	323,907
Net earnings					
Required	**16,453**	17,144	18,300	15,695	13,054
Unappropriated	**8,343**	13,721	9,050	11,068	9,936
Total	**24,796**	30,865	27,350	26,763	22,990
Fund rate (%)	**7.2**	8.9	7.6	7.9	8.3
Market (%)	**-3.4**	9.4	8.3	11.1	18.3
Combined funds					
Net assets-market value	**$ 1,203,183**	$ 1,130,747	$ 1,083,503	$ 1,008,855	$ 916,664
Net assets-cost	**1,136,217**	1,027,429	982,165	913,558	864,007
Net earnings	**81,997**	92,703	107,655	90,028	61,903

Notes:

1. a) Net earnings are realized earnings of the fund in accordance with generally accepted accounting principles.
   b) Fund rate is the rate expressed as the earnings for the year over the weighted average of total assets employed.
   c) Market return is based on the time weighted method in accordance with industry standards.
2. Statistics for 1995 are for the ten month period, February 28 to December 31.

SCHEDULES AND STATISTICS
STATISTICAL REVIEW FOR THE YEARS 1995 TO 1999 (continued)

Unaudited

(in thousands of dollars)

	1999	1998	1997	1996	1995
Revenue - operating fund:					
General government revenue	**$ 716,072**	$ 713,467	$ 679,965	$ 718,652	$ 664,232
Utility revenue (Note 1)	**79,655**	67,361	62,120	85,217	143,119
Income from subsidiary operations	**116,561**	121,085	116,312	108,263	88,038
Other revenue	**57,451**	77,588	92,963	76,534	38,135
	$ 969,739	$ 979,501	$ 951,360	$ 988,666	$ 933,524
General government operating fund revenue (%):					
Taxation	**57.7**	55.1	55.9	55.5	58.7
Sale of goods and services	**18.3**	19.2	20.4	18.2	15.2
Franchise fees	**7.0**	7.1	7.6	7.6	10.2
Appropriation from Ed Tel Endowment Fund	**5.4**	6.7	5.3	5.1	4.6
Government transfers	**3.2**	3.5	3.1	6.6	5.6
Other	**8.4**	8.4	7.7	7.0	5.7
General government operating fund expenditures	**$ 678,091**	$ 637,269	$ 665,973	$ 665,444	$ 661,937
Expenditures - capital fund (Note 1)	**193,681**	196,765	174,380	165,484	224,726
Reserves for future expenditures	**98,487**	90,303	83,697	82,617	66,887

Source: City of Edmonton Corporate Services Department

Note:

1. Utility revenue and capital expenditures include Edmonton Water to April 30,1996. Subsequent to that date, Edmonton Water is accounted for on a modified equity basis and therefore utility revenues and capital fund expenditures exclude those of Edmonton Water.

SCHEDULES AND STATISTICS
STATISTICAL REVIEW FOR THE YEARS 1995 TO 1999 (continued)

(thousands of dollars, except per capita)

	1999	1998	1997	1996	1995
Long-term debt:					
Debt limit	**$ 1,771,484**	$ 1,794,810	$ 1,708,252	$ 1,797,486	$ 1,735,932
Total debt per regulation	**405,521**	440,837	489,579	529,324	605,729
Debt service limit	**310,010**	314,092	298,944	314,560	303,788
Total debt service per regulation	**103,155**	110,075	115,895	117,882	149,804
General government debt service	**43,200**	45,569	51,485	67,569	70,315
General government debt service of general government operating fund expenditures (%)	**6.4**	7.2	7.7	10.2	10.6
Long-term debt-gross					
Self-liquidating	**$ 1,597,227**	$ 1,675,773	$ 1,838,161	$ 1,962,539	$ 2,058,117
Tax-supported	**69,604**	83,666	97,670	113,082	144,416
Long-term debt-net of Sinking Fund					
Self-liquidating	**$ 1,258,707**	$ 1,382,441	$ 1,518,647	$ 1,623,964	$ 1,772,872
Tax-supported	**69,604**	83,666	97,670	113,082	144,416
Net debt per capita					
Self-liquidating	**$ 1,942**	$ 2,243	$ 2,464	$ 2,635	$ 2,825
Tax-supported	**107**	136	159	183	230
	$ 2,049	$ 2,379	$ 2,623	$ 2,818	$ 3,055
Percentage of total debt to be retired					
Within 5 years	**56.0**	54.4	51.0	49.0	45.5
Within 10 years	**84.7**	83.6	82.6	81.9	79.5

Source: City of Edmonton Corporate Services Department

SCHEDULES AND STATISTICS
STATISTICAL REVIEW FOR THE YEARS 1995 TO 1999 (continued)

Unaudited

(in thousands of dollars)

Consolidated Expenditures By Function (Note 1)

	1999	1998	1997	1996	1995
Transportation services	**$ 276,920**	$ 269,457	$ 258,993	$ 236,325	$ 272,798
Protective services	**226,784**	205,574	197,551	201,886	208,876
Community services	**147,767**	146,610	159,312	152,728	170,199
Corporate administration and general municipal	**114,273**	109,637	140,297	149,365	87,233
Utility and enterprise services	**108,493**	122,442	117,541	133,320	205,365
Waste management and storm sewer	**70,014**	60,294	46,881	50,679	46,119
General government debt principal repayments					39,286
	$ 944,251	$ 914,014	$ 920,575	$ 924,303	$1,029,876

Consolidated Expenditures By Object (Note 1)

	1999	1998	1997	1996	1995
Salaries, wages and employee benefits	**$ 472,447**	$ 463,265	$ 462,369	$ 456,484	$ 407,203
Contracted and general services	**255,693**	222,449	245,990	226,647	169,505
Materials, goods and supplies	**156,947**	161,565	127,405	139,829	65,840
Interest and bank charges	**38,315**	41,792	42,357	48,857	72,850
Other charges (Note 2)	**20,849**	24,943	42,454	52,486	89,752
Capital expenditures (Note 3)					224,726
	$ 944,251	$ 914,014	$ 920,575	$ 924,303	$1,029,876

Notes:

1. Expenditures for 1996 include those for Edmonton Water to April 30,1996. Subsequent to that date, Edmonton Water is accounted for on a modified equity basis and therefore consolidated expenditures exclude those of Edmonton Water.
2. Expenditures reflect the fund basis of reporting for the years 1996 through 1999. Other transfers and charges prior to 1996 include amortization and general government debt principal repayments.
3. For years subsequent to 1995 capital expenditures have been allocated by function and by object.

RELATED BOARDS AND AUTHORITIES

Further information regarding the related Boards and Authorities can be obtained from the following sources:

Economic Development Edmonton
Economic Development Edmonton
Shaw Conference Centre
9797 Jasper Avenue
Edmonton, Alberta T5J 1N9
Fax: (780) 426-0236
Web: www.ede.org
Chair: G. Campbell
President and CEO: J. Edwards

The Edmonton Non-Profit Housing Corporation
20th Floor, Century Place
9803-102A Avenue
Edmonton, Alberta T5J 3A3
Fax: (780) 496-5510
Chair: Lynn Hannley
Manager: T. J. Loat

Edmonton Police Commission
Suite 911, 10365-97 Street
Edmonton, Alberta T5J 5A6
Fax: (780) 421-3572
E-mail: commission@police.edmonton.ab.ca
Chair: Kathy Grieve
Chief of Police: Bob Wasylyshen

EPCOR Utilities Inc.
18th Floor, EPCOR Centre
10065 Jasper Avenue
Edmonton, Alberta T5J 3B1
Fax: (780) 412-3096
E-mail: corpafrs@epcor-group.com
Web: www.epcor-group.com
Chair: H. Bolton
President and CEO: D. Lowry

The Edmonton Public Library
7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4
Fax: (780) 496-1885
Web: www.publib.edmonton.ab.ca
Chair: Ms Rose-Marie Cassis
Vice-Chair: Professor Marco L. Adria

THE CITY OF Edmonton